



ANNUAL REPORT

1959

New Surpass

Petrochemicals Limited

Directors

GEORGE A. McCARTNEY	- - - - -	Toronto, Ontario
COLIN A. CAMPBELL	- - - - -	Toronto, Ontario
HAMISH K. MACINTOSH	- - - - -	Toronto, Ontario
FRED W. EVANS	- - - - -	Toronto, Ontario
ELLIS A. CLARKE	- - - - -	Toronto, Ontario
RONALD B. McCARTNEY	- - - - -	Toronto, Ontario
C. A. WELTMAN	- - - - -	Niagara Falls, N.Y.

Officers

GEORGE A. McCARTNEY	- - - - -	President
FRED W. EVANS	- - -	Vice-President, General Manager
COLIN A. CAMPBELL	- - - - -	Vice-President
ELLIS A. CLARKE, C.A.	- - - - -	Secretary-Treasurer
RONALD B. McCARTNEY	- - - - -	Asst. Secretary-Treasurer

Transfer Agents and Registrars

PRUDENTIAL TRUST COMPANY LIMITED,
51 Wellington Street West,
Toronto, Ontario.

Auditors

MESSRS. HENRY BARBER, MAPP & MAPP,
111 Richmond Street West,
Toronto, Ontario.

Bankers

ROYAL BANK OF CANADA,
Bay and Temperance Streets,
Toronto, Ontario.

Solicitors

MANLEY & GRANT,
366 Bay Street,
Toronto, Ontario.

Head Office

Suite 1402,
80 Richmond Street West,
Toronto, Ontario.

Plant

36 Upton Road,
Scarborough, Ontario.



PRESIDENT'S REPORT

TO THE SHAREHOLDER:

On behalf of your Board of Directors, I am pleased to submit herewith the Annual Report and Financial Statements for the fiscal year ended December 31st, 1959, together with the auditors' report thereon and the report of the General Manager, Mr. F. W. Evans.

While gross sales of all of our products continued to increase favourably during 1959 you will note that overall operations of the company resulted in a net loss of approximately \$100,000.00. This figure does not, however, record the true operational picture at New Surpass at its year end in as much as these losses were incurred during the early part of the year when sales had not yet attained their present level. The company was actually operating at a profit during the last quarter of 1959.

This year, on the basis of present contracts alone, a substantial operating profit is assured. We hope to have a five month financial statement available for the Annual Meeting, copies of which will be forwarded to all registered shareholders.

In addition to increased sales of all products during late 1959 and continuing through early 1960, several important factors have helped to better our margin of profit. One of these was a substantial increase in the selling price of some of our products, which became effective January 1st, 1960. Another has resulted due to the recent drop in the premium on the Canadian dollar. In as much as a large part of our sulphonate production is exported to the U.S. this saving has been considerable. The company is now self sustaining and no longer is dependent on financial assistance from its affiliate, Chemalloy Minerals Limited. Our working capital position has improved considerably and has resulted in our being able to purchase our raw materials in quantity lots, and to carry larger inventories of raw material and finished products, both of which further contribute to lower operating costs and increasing our margin of profit. Orders presently on hand for June indicate that sales for the first six months of 1960 will exceed the total for the twelve months of last year.

At year's end the sulphonation plant was operating at a rate of approximately 5,000,000 lbs. a year and firm contracts for 1960 assure that this volume will be more than maintained. The present bottleneck to increased sales of sulphonates, is in obtaining



additional suitable raw materials. To overcome this, new sources are currently being evaluated and could have their effect on sales in 1960. The plant is capable of producing up to 10,000,000 lbs. per annum without any additional equipment.

Sales of greases and corrosion inhibitors continued to show a steady but less spectacular growth. Several new customers were obtained for the products. Special grease packaging equipment was installed late in 1959 which will enable us to enter the small package field. This is particularly promising with regard to the grease gun cartridge which is now finding enthusiastic acceptance on the farm, in industry and with the "do-it-yourself" householder.

Your management feels that diversification is the keynote to long range success in the chemical or petroleum industry. To this end considerable effort is being expended in market research, and in the development of new products. Emphasis is being placed on products which are complementary to our present lines by way of common raw materials or technology, but which will at the same time establish sales in other industries. Under consideration are products expected to be marketed in fields of oil production, rubber, steel and detergents.

In my opinion the year 1959 can be considered a milestone in the growth of this young company.

On behalf of the Board of Directors,

G. A. McCARTNEY,
President.



GENERAL MANAGER'S REPORT FOR 1959

For New Surpass Petrochemicals Limited, 1959 was characterized by substantial, steady gains in production and sales. These gains were not the result of any increase in general business activity or even of any increase in the markets for our products. They represent, rather, the gradual recognition by the industrial public of New Surpass Petrochemicals Ltd. as a dependable manufacturer and supplier of high quality petroleum products. This recognition, in turn, has been the direct result of your management's past and continuing policy to foster just such confidence.

Sales and Earnings

Sales in 1959 were approximately three times the 1958 sales in dollar volume. They showed a continuous upward trend throughout the year and late in the fourth quarter the cash break-even point was reached. This is a significant milestone in the history of this company since it marks the end of borrowing to cover operating losses. The company should now be financially self sufficient for its present operations.

While gains were made in the sales of all the company's product lines, the greatest were in the sale of petroleum sulphonates. About 85% of our sulphonates are now shipped in tank cars and a substantial portion is exported. Our synthetic Surpanate 450 in particular has found very gratifying acceptance and sales of this product at the present time are limited by available raw materials.

Our Surpaluble grease line has been augmented by the addition of several new products. We continue our policy of formulating lubricants to meet the specific requirements of our customers. Late in the year equipment was installed to fill the new convenient cartridges which are dispensed in grease guns without touching the grease. These promise to boost sales substantially.

Several new product have been developed to meet Government Specifications and an increasing volume of business is being done with the Department of National Defence.

Production

At year's end our sulphonation operation was on a 3 shift, 5 day schedule and producing at a rate of 5,000,000 lb./year. Capacity on a 7 day schedule will be between 7,500,000 and 10,000,000 lb./year depending upon product mix. Continued advances have been made in the simplification of process and increasing yields. Considering the corrosive nature of the materials handled, maintenance costs have been extremely low in relation to plant investment. Our continuous process grease plant has continued to operate economically and with very little maintenance. For small lots of special greases a batch kettle has been adapted and this has enabled us to accept orders for products which would not have been practical to produce in the continuous unit.



High and uniform quality of all products has continued through the exercise of rigid controls. We feel this is essential to our further progress and it is significant that no customer has been lost through failure to meet product specifications.

Research and Development

It has been a matter of great concern to your management that the growth of our very promising young business should be limited by the availability of suitable raw material. To protect ourselves we have first, contracted to buy all raw materials which have been demonstrated to be of satisfactory quality and second, engaged in a laboratory program to evaluate other sources of raw materials as possible substitutes or for incremental production. Preliminary results now indicate that raw material from some of the alternate sources may be acceptable.

In order to further solidify our position and to ensure long range growth, the company is engaging in a program of market research and new product development. The aims of this program are as follows:

1. To take advantage of basic facilities which are already adequate for expansion i.e., steam boilers, raw materials, storage, etc.
2. To take advantage of technological know-how which we already possess.
3. To gain greater sales volume and stability through product diversification and by increasing our marketing coverage to include more industries and more applications.

In summarizing operations for the year in review, I would like to say that considerable growth has been achieved in all phases of our development, and that on the basis of present production and sales levels, and in anticipation of new business, and the introduction of new products, 1960 should show continued progress and earnings.

Respectfully submitted,

FRED W. EVANS,
General Manager.



New Surpass Petrochemicals Limited

INCORPORATED UNDER
THE LAWS OF THE
PROVINCE OF ONTARIO

BALANCE SHEET AS AT 31st DECEMBER, 1959

ASSETS

CURRENT ASSETS:

Cash in bank	\$ 4,514.72
Accounts receivable	40,840.23
Inventory of raw materials and finished goods at lower of cost or market value (as determined, valued and certified by the management)	64,847.90
Prepaid expenses	8,768.87
TOTAL CURRENT ASSETS	118,971.72
SECOND MORTGAGE RECEIVABLE	6,082.76
FIXED ASSETS — at cost:	
Plant and equipment	\$ 850,029.19
Furniture and fixtures	1,623.15
ORGANIZATION EXPENSES	2,175.40
	\$978,882.22

LIABILITIES

CURRENT LIABILITIES:

Bank loan and overdraft (secured)	\$ 42,095.09
Accounts payable and accrued charges	71,716.95
TOTAL CURRENT LIABILITIES	113,812.04
Notes and Advances — Chemalloy Minerals Limited	143,670.21

CAPITAL STOCK AND DEFICIT:

Capital Stock:

Authorized, 700,000 shares of no par value	
Issued, 614,848 shares (including 39,500 shares issued for cash during the year)	\$ 1,306,159.00
Deficit	584,759.03
	\$978,882.22

Approved on behalf of the Board:

G. A. McCARTNEY, Director.

E. A. CLARKE, Director.

Toronto, 10th June, 1960.



STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31st DECEMBER, 1959

Loss from operations before sundry income	\$108,244.52
Sundry Income	378.27
Net loss	<u>\$107,866.25</u>

No depreciation has been written in the accounts to date.

STATEMENT OF DEFICIT

FOR THE YEAR ENDED 31st DECEMBER, 1959

Deficit, 31st December, 1958	\$476,892.78
Add: Net loss for the year ended 31st December, 1959	107,866.25
Deficit, 31st December, 1959	<u>\$584,759.03</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of New Surpass Petrochemicals Limited as at 31st December, 1959 and the related statements of profit and loss and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the balance sheet, and the statements of profit and loss and deficit present fairly the financial position of the Company as at 31st December, 1959 and the results of its operations for the year ended on that date.

Toronto, 10th June, 1960.

HENRY BARBER, MAPP & MAPP
Chartered Accountants.



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